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May 18, 1954

REPORT TO THE EDAC EXECUTIVE COMMITTEE
ON OPERATIONS OF THE DIVERSION CONTROL NETWORK
From January 1, 1954 to April 30, 1954

I. Background

During the summer of 1953, the EDAC agencies reappraised the adequacy of intelligence support and action on diversion cases. They concluded that existing arrangements were too diffuse and uncertain to insure systematic intelligence follow-ups and timely, coordinated action. Steps were clearly necessary to establish additional machinery in Washington. The EDAC Executive Committee, after exploring the question at some length, established the Diversion Control Network on October 20, 1953 (ED/EC D-37/3). On January 1, 1954, the Network commenced operations.

II. Terms of Reference

Under the terms of reference of the Diversion Control Network the general responsibilities of the cognizant agencies remain unchanged, but designated Diversion Control officers in MDAC/FOA, EDS/State and ORR/CIA constitute points of contact for the performance of the following functions:

A. MDAC

1. Provide a continuous and systematic check on the intelligence build-up and action disposition of all potential preventive action cases.
2. Serve as the central contact point between the Diversion Control Network and the EDAC structure (including all economic defense agencies other than State and CIA).
3. Serve as a reference point, a service facility, and a medium of communication and coordination between intelligence and action elements.

B. EDS/State

1. Prepare and coordinate follow-up requests for the collection, by Foreign Service posts, of information required to fill critical gaps in intelligence on diversions and possible illegal movements of primary strategic commodities to the Soviet bloc.
2. Assume, or coordinate within the State Department, responsibility for preventive action on diversion cases which are suitable for State Department action, whether or not the information has been received from Foreign Service posts.

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C. ORR/CIA

1. Collate, focus and transmit to appropriate action authorities all available intelligence, regardless of origin, on potential preventive action cases.
2. Prepare and coordinate follow-up requests for the collection, other than by Foreign Service posts, of information required to fill critical gaps in such intelligence.

At the beginning of the period under review, it was thought that the participation of Commerce, Treasury and Defense would be relatively limited. It was, of course, envisaged that the intelligence and action components of all cognizant EDAC agencies would be continuously informed and consulted as appropriate and asked to participate on matters involving their responsibilities or special competence. But initially, the extent of the participation of these three agencies was underestimated. Experience revealed, however, that it was desirable to have all three agencies participate regularly. By the end of the period the routine operations of the Network encompassed all six agencies.

III. Operations of the Diversion Control Network

Cases are established by mutual agreement among the Network members, a "case" being any effort to circumvent East-West trade controls which appears to call for some sort of action by one or more of the member agencies. Action may involve a file check by CIA, a despatch or telegram to one or more foreign service posts, etc.

The volume of communications on diversions is so large that it is impractical to pursue all possible cases. It has been agreed that in general the Diversion Control Network will confine its attention to transactions involving significant amounts of International List I commodities which satisfy one or more of the following criteria:

1. There is a substantial chance of preventing an impending diversion.
2. Development of the facts in the case, even if the diversion cannot be prevented, may yield enough information to assist in persuading or enabling a COCOM country to plug a loophole in its enforcement machinery so that future diversions of this sort may be prevented.

The information and reports out of which DCN cases develop are provided by the collection activities of the Foreign Service and of CIA. The principal role of ORR/CIA in furnishing support to the DCN is to integrate the intelligence materials collected from these two sources. This involves assembling, collating and appraising the significance of the individual reports, searching out amplifying information in the various component parts of CIA and disseminating to the DCN

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members concerned both answers to specific spot inquiries and also summations of the pertinent intelligence data that has been developed on a case basis. A standardized procedure has been worked out for requesting the release of certain CIA-collected information important to the development of particular DCN cases and useful for wider dissemination to selected State Department posts overseas as an aid in their case investigation or enforcement efforts.

The action agency members of the DCN also contribute to the assembling and evaluating of transactions intelligence materials and assume the responsibility for selecting and docketing DCN cases. Based on the intelligence materials the action agencies take the lead in determining what specific action is to be undertaken both in Washington and overseas. Instructions to the field serve both to direct appropriate enforcement activities and to indicate lines of endeavor for additional intelligence collection efforts.

IV. Statistical Summary

Cases carried on initial inventory (January 1, 1954) - 102
Cases carried on final inventory (April 30, 1954) - 172

Status of the cases carried on final inventory was as follows:

Transactions interrupted	41
Diversions accomplished	20
Outcome unknown	20
Surveillance continuing	74
Legitimate transactions	6
Part interrupted and part diverted	6
Part diverted and part legitimate	1
Part interrupted and part unknown	2
Total	172

V. Relations with USRO/ST

The current arrangements for division of responsibility between the Diversion Control Network in Washington and the Office of Security Trade Controls (USRO/ST) in Paris are as follows:

a. Paris has responsibility for monitoring diversion cases which it initiates unless relieved of this responsibility by Washington.

b. Paris has responsibility for regional (Western European) diversion cases on which preventive action must be taken promptly (i.e., within two or three weeks).

It has become increasingly clear that these arrangements are too vague to be satisfactory and that further clarification is necessary. A definite decision

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has been deferred, however, until such time as the Chairman of the Diversion Control Network can visit USRO/ST and discuss the problems fully.

VI. Special Problems

In addition to coordinating action on diversion cases, the Diversion Control Network has dealt with a number of special problems. Both procedural and substantive aspects of the following questions have been considered: analysis of [REDACTED] Radio Free Europe reports on East-West trade transactions; routinizing surveillance of copper movements from Chile through Hamburg; lateral dissemination of intelligence in the field; [REDACTED] problems affecting the relations among Foreign Service posts; [REDACTED] and CIA/Washington; preparation of diversion case summaries for specific purposes; encouraging naval, military and air attaches to provide support to EDOs.

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